



Arizona State Retirement System

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Fact Sheet

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MEMBERSHIP AND THE DEFINED BENEFIT PLAN

The Arizona State Retirement System is a state agency providing retirement benefits, retiree health insurance, long-term disability coverage and other benefits to employees of the state, counties, and participating municipalities, universities and community colleges, school districts and other political entities.

The ASRS is administered in accordance with Title 38, Chapter 5 of the Arizona Revised Statutes. The Plan, qualified under section 401(a) of the Internal Revenue Code, is a cost sharing, multiple employer, public employee defined benefit retirement plan, with contributions from both the employee and the employer.

Generally, employees of an employer member who are engaged to work at least 20 weeks in a fiscal year and at least 20 hours a week qualify for membership in the retirement plan. Membership is mandatory for those employees who meet the membership criteria. Employees hired by the State of Arizona July 20, 2011 and after are subject to a 26-week waiting period before initial enrollment in the ASRS.

Retirement Benefits

As a defined benefit retirement plan, the ASRS pays retirement benefits determined by a set formula. A member's lifetime benefit is equal to the average monthly compensation multiplied by the total credited service multiplied by a factor set by statute.

$$\text{Retirement Benefit} = \text{Average Monthly Compensation} \times \text{Total Service Credit} \times \text{Multiplier}$$

- The average monthly compensation is equal to the average amount paid over the highest 36 or 60 consecutive months, depending upon the member's hire date and other criteria.
- Credited service is determined from the period of employment during which the employee was a member making the required contributions to the Plan, plus any additional service purchased.
- A graded multiplier is determined by years of credited service: 2.1% for 0.1-19.99 years of service; 2.15% for 20-24.99 years; 2.2% for 25-29.99 years, and 2.3% for 30+ years of service.

There are several annuity options available at retirement.

Contribution Rates

There are two components to the ASRS contribution rate – the Pension & Health Insurance Benefit, and the Long Term Disability Income Plan. The Pension Plan contribution is a pre-tax deduction, and the Long-Term Disability deduction is post-tax. Contribution rates are set annually and take effect each July 1.

Pursuant to Arizona Laws 2011, Chapter 26 (Senate Bill 1614), the employee / employer contribution rate split was changed from the historical 50/50 split to a 53 percent employee and 47 percent employer split.

Additional Benefits

Long Term Disability (LTD) Income Plan – In the event of a qualifying disability and after a six-month waiting period, the LTD program pays to an ASRS member up to two-thirds of the member's salary. The LTD program is funded through employee and employer contributions. Applications for benefits are processed by a contract administrator.

Group Medical & Dental Coverage – Coverage is available to retired and disabled ASRS members.

Health Insurance Premium Benefit – A premium benefit is paid to retired and disabled ASRS members who have five or more years of credited service to help cover the cost of health insurance. The recipient must be covered by an ASRS employer's health insurance plan or the ASRS group plan.

Survivor Benefits – Upon the death of a member prior to retirement, the member's account is paid as a death benefit. This includes the member's contributions and the employer's contributions, plus interest. The beneficiary may qualify for a lump sum payment or an annuity option.

Portability – Most public employers in Arizona are members of the ASRS. Employees moving from one ASRS employer to another retain their membership in the Plan. Statutory provisions also permit the transfer of credited service to and from the other public employee retirement systems in the state, including the Public Safety Personnel Retirement System (PSPRS), Correctional Officers Retirement Plan (CORP), Elected Officials Retirement Plan (EORP) and the City of Phoenix and City of Tucson retirement plans.

Service Purchase – Active members may purchase credited service for past military service, service with another public entity, leave of absence or forfeited ASRS service. A member is not eligible to purchase service if the member is receiving or is eligible to receive other retirement benefits from that same service. Service purchase is calculated using the Actuarial Present Value factors. Beginning July 20, 2011, members must have 10 years of credited service in order to initiate a service purchase request. Requests are limited to purchasing a maximum of 60 months for each allowable service purchase type (except for USERRA or Heart Act purchases).

Supplemental Savings Plans – The ASRS administers two voluntary supplementary savings plans that employers may elect to offer to their employees. The Supplemental Retirement Savings Plan is a 401(a) plan offered through Nationwide, and the Supplemental Salary Deferral Plan offers 403(b) and 457(b) plans through TIAA-CREF.

Refund of account – Members who terminate are eligible for a refund of their contributions plus interest. A member who began membership prior to July 1, 2011, who terminates employment may be eligible to receive a percentage of the employer's contribution based upon a minimum of five years of service for 25 percent of the employers contributions and increasing by 15-percent increments for each year of additional service, until the employee reaches 100 percent return at 10 years of credited service. This option applies only to members who were hired on or before June 30, 2011.

Interest applied to member accounts for purposes of refunds prior to retirement is set at 4 percent as of July 1, 2005.

Disclaimer: The ASRS is governed by complex state and federal laws. This fact sheet is intended to provide general information and does not replace statutory and rule requirements. Arizona Revised Statutes, the Arizona Administrative Code along with the federal code for both the IRS and Social Security Title 218, shall be final authority. For additional information on any of the subjects, including ASRS member education programs, please visit the ASRS website at www.azasrs.gov or contact the ASRS.